

From: "Garnett, Paul" <PWGarnett@SWIDLAW.com>
To: "'dwhitis@mail.state.tn.us'" <dwhitis@mail.state.t...
Date: 5/13/99 5:19pm

Pursuant to your request, the following is KMC Telecom III, Inc.'s ("KMC III") response to the Tennessee Regulatory Authority's additional question regarding KMC Telecom III Holdings, Inc.'s ("KMC III Holdings") Balance Sheet attached to KMC III's application under seal as Exhibit 3:

With negative Shareholders' Equity shown on KMC Telecom III Holdings, Inc.'s ("KMC III Holdings") Balance Sheet through the year 2005, how will KMC III Holdings fund the operations of KMC Telecom III, Inc.?

KMC III's operations in Tennessee will be funded over time through a combination of increasing revenues from operations and access to long term debt. In accordance with its lender agreements, KMC III Holdings has \$315,000,000 in long term debt available to fund KMC III's operations until KMC III obtains positive net income. According to KMC III Holdings' income statement, KMC III Holdings will post a positive Net Income of \$41,360,000 in 2003.

Should you have any additional questions, please do not hesitate to call or e-mail me.

Paul W. Garnett
Swidler Berlin Shereff Friedman, LLP
3000 K Street, NW
Suite 300
Washington, DC 20007
1-202-945-6925 (tel)
1-202-424-7643 (fax)

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